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RECREATION AND PARK COMMISSION:

Concession Review of
Kezar Parking Lot

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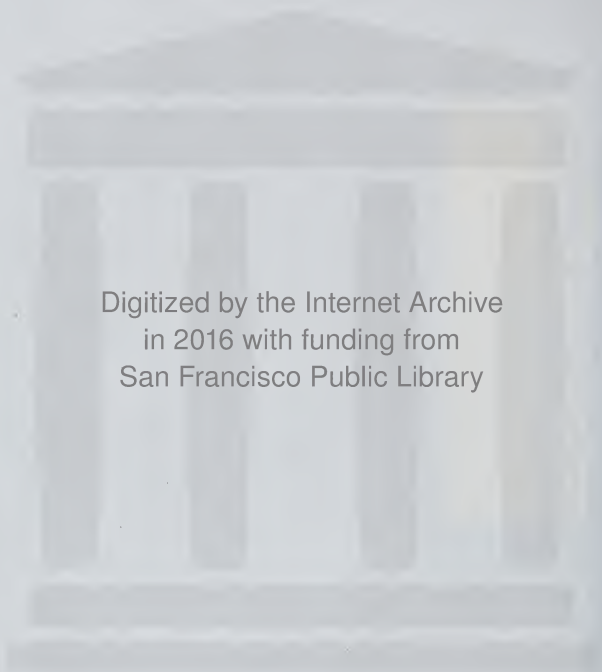
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FINANCIAL AUDITS



March 16, 2007



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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

March 16, 2007

Recreation and Park Commission
McLaren Lodge
501 Stanyan Street
San Francisco, CA 94117

President and Members:

The Office of the Controller presents its report concerning the review of Kezar Parking Lot (Parking Lot). ABC Parking (ABC) has a management agreement, effective February 1, 2005, with the Recreation and Park Commission of the City and County of San Francisco to operate the Parking Lot.

Reporting Period: February 1, 2005, through June 30, 2006

Gross Revenues: \$1,204,811

Results:

ABC correctly accounted for and remitted to the Recreation and Park Department (department) all gross revenues from paid parking. However, ABC did not comply with the provision in its agreement requiring it to pay for any missing tickets. Although ABC appropriately reported 736 unaccounted for tickets during the review period, it did not pay the department the value of the missing tickets. According to the agreement, ABC is required to pay \$18 for each missing ticket, and should have remitted \$13,248 to the department.

The responses from the department and ABC are attached to this report. The Controller's City Services Auditor-Financial Audits will be working with the department to follow up on the status of the recommendations.

Respectfully submitted,

Noriaki Hirasuna
Director of Financial Audits

FINANCIAL AUDITS

INTRODUCTION

BACKGROUND

Kezar Parking Lot (Parking Lot) is operated by ABC Parking (ABC) under a management agreement, effective February 1, 2005, with the Recreation and Park Commission (Commission) of the City and County of San Francisco. The agreement, which expires on January 31, 2010, entitles ABC to collect a monthly management fee of \$21,400.

In part, the agreement requires ABC to do the following:

- Charge and collect the correct parking rate from all users of the parking lot.
- Establish and maintain an appropriate parking ticket system for daily parking lot users.
- Establish and maintain a special revenue account for the deposit of all revenues from parking lot operations and deposit all gross revenues generated by the parking lot on the next banking day such amounts are collected.
- Prepare a daily and monthly accounting report of gross parking revenues and submit the monthly report to the Recreation and Park Department (department) within 10 days after the close of each month.

SCOPE AND METHODOLOGY

The purpose of our review was to determine whether ABC complied with the reporting and payment provisions of the management agreement with the Commission and accurately reported the Parking Lot's gross revenues. Our review covered the period from February 1, 2005, through June 30, 2006.

To conduct the review, we examined the applicable terms of the management agreement and ABC's procedures for collecting, recording, summarizing, and reporting parking revenues from transient and monthly parking customers. We compared ABC's reported gross revenues to those recorded in its monthly internal records for all months of the review period. Additionally, we tested on a sample basis, ABC's monthly and daily summary records, daily shift reports, and bank deposit records. For selected sample days, we counted and reconciled the parking tickets collected to the count recorded on the daily revenue reports.

We also tested revenues from monthly parkers to determine whether ABC properly accounted for the revenues. Further, we tested parking rates used at the garage to determine if the rates agreed with the rates approved by the Board of Supervisors.

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RESULTS

ABC PARKING CORRECTLY REPORTED AND REMITTED GROSS PARKING REVENUES

From February 1, 2005, through June 30, 2006, ABC correctly reported \$1,204,811 in gross revenues from its operation of Kezar Parking Lot and correctly remitted the amount to the Recreation and Park Department. The table below shows ABC's reported gross revenues for the review period.

TABLE

**Reported Gross Revenues
February 1, 2005, Through June 30, 2006**

Period	Amount
February 1, 2005, through June 30, 2005	\$343,860
July 1, 2005, through June 30, 2006	860,951
Total	\$1,204,811

However, ABC did not comply with the provision in the management agreement requiring it to pay for any missing tickets. Although ABC submitted monthly reports to the department identifying the total number of missing tickets for each business day, it did not pay for the tickets as required by the agreement. Section 6.1(a) of the agreement states that any unaccounted for tickets are considered lost and ABC is responsible for remitting \$18 for each lost ticket as part of its gross revenues deposited on the next banking day. For the review period, ABC could not account for 736 tickets, therefore owing the department \$13,248 in additional revenues. In addition, Section 5.5 of the agreement requires ABC to pay interest on unpaid amounts from the date they should have been deposited.

RECOMMENDATIONS

The Recreation and Park Department should take the following actions:

1. Collect from ABC \$13,248 for the 736 missing tickets. The department should also calculate and collect late interest charges for revenues not deposited during the review period.
2. Instruct ABC to deposit in its revenue account the proper amount for missing tickets on a daily basis in accordance with the management agreement.

We conducted this review in accordance with generally accepted government auditing standards. We limited our procedures to those area specified in the scope and methodology section of this report.

Staff: Kevin Baloca, Financial Audit Manager
Houman Boussina

RECREATION AND PARK DEPARTMENT RESPONSE TO THE REVIEW



City and County of San Francisco
Recreation and Park Department

McLaren Lodge in Golden Gate Park

501 Stanyan Street, San Francisco, CA 94117

TEL: 415.831.2700 FAX: 415.831.2096 WEB: <http://parks.sfgov.org>

February 14, 2007

Mr. Noriaki Hirasuna
Director of Financial Audits
Office of the Controller
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Hirasuna:

The Recreation and Park Department agrees with and accepts both findings in the recently completed audit of the Kezar Parking Lot conducted by your office.

Staff will present the final draft of this audit and its recommendations to the Recreation and Park Commission. Copies of all documentation presented at that meeting, along with the Resolution number, will be forwarded to your office.

Thank you as well to Houman Boussina for his excellent work and patience throughout this process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott Ruble'.

Scott Ruble
Concession Manager

cc: Jaci Fong, Director of Property
Margot Shaub, Director of Partnerships & Resource Development
Katherine Petrucione, Director of Finance
Margaret McArthur, Commission Liaison



Mayor Gavin Newsom
General Manager Yomi Agunbiade

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ABC PARKING RESPONSE TO THE REVIEW



March 6, 2007

Mr. Noriaki Hirasuna
Director of Financial Audits
Office of the Controller
1 Dr. Carlton B. Goodlett Place
San Francisco, CA. 94102

Dear Mr. Hirasuna,

I disagreed with the report's finding that ABC Parking is responsible for 746 missing tickets. I believe that there are a number of factors which have contributed to the missing tickets. All of those factors have been explained to the Park and Recreation Department, and also to the auditors. I would now like to restate those factors in writing.

* ①

First of all, ABC parking inherited the existing parking personnel and operates 7 days a week, 24 hours per day. During the months of February 2005 to August 2005, ABC parking inherited the operation with a open / close button which allowed for the cashiers to open and close the entrance and exit gate at random. I believe that this device was installed to allow the UCSF shuttle vans to go in and out of the garage during Monday – Friday 5 am to 12 am. I believe that this device contributed to missing tickets. Following ABC Parking's solution this button was removed in August 2005.

Secondly, the Kezar parking lot is a multi-use parking facility. There is only one line for exit. The parking structure is used by over 300 daily parkers, monthly parkers, and primarily for the many events held at Kezar Pavilion, and Kezar Stadium. By co-mingling these different parking customers requires a different operational procedure for each of these markets. During large events, customers would pre-pay on the way in and at the end of the event the gates could be open to allow customers to exit. By opening the gates at the end of the event, there are a number of uncollected tickets by customers that entered the lot prior to the event rate being collected. These customers would drive out without paying thereby creating lost tickets. This is an operational issue, and we are restricted by having one exit line. To run the operation differently, would create car exiting problems. If ABC is to be accountable for all missing tickets, then all customers, (monthly, daily, and event) would suffer by waiting much longer to exit. Every customer would be required to show a ticket and exit single file through one line.

801 Stanyan Street, San Francisco, CA 94117
Cell: (415) 424-6092 • Fax: (415) 387-3106 • abcparking@yahoo.com

* Controller's City Services Auditor's comments appear on page 9.



PARKING

Thirdly, there are 295 monthly customers in the 300 space garage. There is evidence that monthly customers on a daily basis will pull tickets to gain entry into the garage. Upon entering or exiting their card will register a "passback" which means that there is a 50 per cent chance that they have pulled a ticket, and rarely does a monthly return a parking ticket. If the monthly customer fails to return the ticket, a missing ticket will be registered on the next days report. These same monthly customers may park two cars in the parking lot, and can pull tickets regularly without detection.

Fourth, there is a six feet gap between the exit gate arm and the chain link fence. This gap allows for cars to drive around the gate arm and to exit without paying. This is another possibility for missing tickets. Before ABC parking is charged for missing tickets I would like to request that Park N Rec eliminate this gap by building the fence in a closer proximity to the exit gate arm to prevent cars from driving around the exit.

Finally, I believe that the \$18 lost ticket rate was a rate that has been overcharging customers since its inception. From Feb. 2005 until August 2006 the maximum 24 hour rate charge was \$13.50. However, the approved lost ticket charge was \$18.00. As the operator, we would collect \$18.00 for lost tickets, but would always have an argument from each and every customer that it was not right. In August 2006, the lost ticket rate was changed and is now identical to the maximum 24 hours parking rate, presently \$15.00. ②

In conclusion, ABC parking is responsible for Kezar's entire parking operations. There's plenty of work having to operate 24 hours a day, seven days a week. And it's just not possible to capture everything going on. Having to manage the garage requires a high degree of customer service. We wouldn't be providing service by forcing customer to wait longer in line when exiting. We could always question monthly parkers on the different reasons for passbacks, or we could give them the benefit of the doubt, (like we do now). For the points mentioned above, I respectfully request that you release ABC Parking from the liability of the missing tickets. ③

Respectfully,

Kevin Wong
President

CONTROLLER'S CITY SERVICES AUDITOR COMMENTS ON THE RESPONSE FROM ABC PARKING

To provide clarity and perspective, we are commenting on the response from ABC Parking (ABC). The numbers correspond with the numbers we have placed in ABC's response.

- ① The number of missing tickets identified in the report is 736. Section 6.1(a) of the management agreement clearly states that ABC is responsible for any unaccounted for tickets and that such tickets shall be deemed to have been collected. The corresponding "lost" ticket amount shall be included in the gross revenues deposited on the next banking day.
- ② Our report addresses unpaid revenues for unaccounted for tickets based on a review of ABC's count of submitted tickets and dispensed tickets. We did not report on tickets that customers would admit to having lost, which were paid by the customer.
- ③ The other assertions by ABC are operational in nature and ABC should work with the Recreation and Park Department to address those issues.

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cc: Mayor
Board of Supervisors
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